

CHAPTER 17

**MILITARY SPECIAL SEPARATION BENEFIT AND
VOLUNTARY SEPARATION INCENTIVE PROGRAMS**1701 OVERVIEW

170101. Purpose. This Chapter provides the policy and procedures for implementing and administering the Special Separation Benefit (SSB) and Voluntary Separation Incentive (VSI) Programs. These programs were authorized by the Fiscal Year 1992 Defense Authorization Act, as codified at Title 10, United States Code, sections 1174a and 1175.

1702 POLICY AND PROCEDURES170201. Program Eligibility and Benefit Computation

A. Special Separation Benefit Program. Eligibility requirements and the benefit computation for the SSB Program, are incorporated into Volume 7A, of this Regulation.

B. Voluntary Separation Incentive Program. Eligibility requirements and the benefit computation for the VSI Program are incorporated into Volume 7A, of this Regulation.

170202. Financing SourcesA. Special Separation Benefit Program

1. SSB transactions shall be paid from the current Military Personnel appropriation. Since this is a one-time payment to the eligible military member, no unfunded liability exists, and all such payments should be funded from the Military Personnel appropriation current at the time applicable payments are made.

2. Obligations for SSB Benefit shall be recorded separately from other pay and allowances.

B. Voluntary Separation Incentive Program

1. All VSI payments made after December 31, 1992, shall be paid from a "Voluntary Separation Incentive Fund" (hereafter referred to as the "Fund") established by the Department of the Treasury. The Fund shall be used to accumulate amounts needed to finance, on an actuarially sound basis, liabilities accrued under the VSI Program. To the extent provided for in appropriation acts, the assets of the Fund shall be available only to pay voluntary separation incentives.

2. Assets of the Fund shall consist of:
 - a. Amounts paid into the Fund in accordance with amortization schedules developed by the DoD Board of Actuaries (see paragraph 170401. below),
 - b. Any amount appropriated to the Fund, and
 - c. All returns on investment of the assets in the Fund.

1703 RESPONSIBILITIES

170301. Department of Defense Board of Actuaries. The DoD Board of Actuaries (hereinafter referred to as the “Board”) shall:

A. Determine an amount which is the total present value, as of January 1, 1993, of the future benefits payable to persons who separate under VSI prior to January 1, 1993. The Board also shall determine an amortization schedule for liquidating the original unfunded liability of the Fund.

B. Determine an amount which is the total present value, as of September 30, 1995, of the future benefits payable to persons who separate under VSI after December 31, 1992.

C. For each fiscal year after fiscal year 1996, carry out an actuarial valuation for the Fund and determine any new unfunded liabilities arising from gains and losses to the Fund. The Board also shall determine an amortization schedule for liquidating these new unfunded liabilities. For the upcoming fiscal years, the Board will determine, in sufficient time as to be included in the fiscal year’s budget requests, the amount of Department of Defense contributions to the Fund necessary to comply with the amortization schedules for the Fund’s original and new unfunded liabilities.

170302. Office of Deputy Comptroller (Program/Budget), OUSD(C). The Office of Deputy Comptroller (Program/Budget) shall include in Military Personnel Appropriation requests, amounts sufficient to fund SSB/VSI payments and liquidate the unfunded liabilities of the Fund in accordance with amortization schedules determined by the Board.

170303. Defense Finance and Accounting Service. The Defense Finance and Accounting Service (DFAS) shall:

A. Disburse all payments to military personnel from the Military Personnel appropriations for both the SSB and VSI programs prior to January 1, 1993. Both SSB and VSI benefits and obligations for benefits will be reported separately within the Military Personnel Appropriation budget activities 1 and 2.

B. Deposit amounts annually for liquidation of the original unfunded liability and all other payments due into the VSI Fund in accordance with the amortization schedule to be provided by the Board. The Office of Deputy Comptroller (Program/Budget) will provide the date for making the initial and subsequent deposits.

C. Establish appropriate operational procedures to manage fiscal aspects of the SSB program and prepare necessary fiscal reports.

D. Establish appropriate operational procedures to manage fiscal aspects of, account for, invest and report on the assets of the VSI Fund. See Table 17-1 for details relating to DFAS Center responsibilities.

E. Apply the investment provisions of 10 U.S.C. 1467 to the Fund.

F. Allocate appropriate amounts to finance VSI payments.

G. A summary of the DFAS Centers' responsibilities is in Table 17-1.

1704 PROCEDURES

170401. Military Departments. The Military Departments shall:

A. Deposit required amounts into the Fund (in accordance with paragraph 170303.B., above) by use of the Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits," citing receipt account 97X8335.1, or by using the procedures identified in paragraph 240601 of Volume 5, Chapter 24, "On-Line Payment and Collection (OPAC) System," of this Regulation.

B. Record obligations in the respective Military Personnel appropriations annually in amounts equal to those determined by the Board in its amortization schedule. Disbursements from the Military Personnel appropriation to the Fund shall be equal to amounts obligated.

C. Authorize transfer of funds from the Military Personnel appropriation to the VSI Fund. Total current liability payments to the VSI Fund shall be reported annually on an SF 1081 both as a disbursement from the applicable Military Personnel appropriation (as cited in paragraph 170401.A., above) and as a deposit to the VSI Fund. A copy of the SF 1081 shall be forwarded to DFAS ATTN: DFAS-HQ/AE by electronic media three business days prior to the end of month.

D. Make the initial payments to the applicable military member from the VSI Fund, charging account 97X8335. The Military Departments also shall submit a memorandum

three business days prior to the end of the month to DFAS, Attention: DFAS-HQ/AE (Fax no. (703) 607-2824) indicating the estimated initial disbursements to the military members for the next month.

E. Deposit the following amounts (to be determined at a later date) for those personnel separated under the VSI program on or after January 1, 1993, and ending September 30, 1995, to include:

1. Such sums as are necessary to pay current year VSI liabilities and
2. An amount equal to the present value, as of September 30, 1995, of the future VSI benefit payable, as determined by the Board.

F. Deposit from funds available for the pay of members of the Armed Forces under the jurisdiction of the Secretaries of the Military Departments an amount necessary to liquidate unfunded liabilities of the Fund. These deposits shall be made annually. The amount deposited shall be in accordance with amortization schedules determined by the Board.

170402. Defense Finance and Accounting Service. The Defense Finance and Accounting Service shall:

A. Report collection and disbursement transactions in the monthly Statement of Transactions (DD Form 1329).

B. Ensure that applicable transactions are recorded in the appropriate budgetary and proprietary accounts in all military pay and other accounting systems as prescribed in Volume 7A, of this Regulation.

C. Ensure that the VSI Fund is classified as a trust fund and has been designated as account number 97X8335, "Voluntary Separation Incentive Fund." This fund will consist of both a receipt and an expenditure account.

1. Deposits shall be made to the following trust fund receipt accounts as applicable:

a. 97X8335.1 - Employing Agency Contributions, Voluntary Separation Incentive Fund. Payments from DoD Military Departments for accrual of future Voluntary Separation Incentives programs.

b. 97X8335.2 - Earnings on Investments, Voluntary Separation Incentive Fund. Payment of interest by Treasury on Fund investments.

2. The following accounts are to be used for reporting investment activity within the Fund:

a. (88)97X8335 - Investment in Treasury Securities (Par), Voluntary Separation Incentive Fund. To record the purchase of Treasury securities in the Fund.

b. (98)97X8335 - Redemption of Treasury Securities (Par), Voluntary Separation Incentive Fund. To record the redemption of Treasury securities.

c. (75)97X8335 - Unrealized Discount on Treasury Securities. To record unrealized discounts on Treasury securities.

3. Amounts deposited to the above receipt accounts are immediately available to the trust fund for investment or payment of Voluntary Separation Incentive benefits. After December 31, 1992, DFAS-Cleveland Center will make all anniversary payments of benefits payable to persons under this program from the VSI Fund, charging account 97X8335. The DFAS Cleveland Center also must submit to DFAS ATTN: DFAS-HQ/AE a monthly forecast of anniversary payments. Either a one month forecast may be submitted each month or a twelve month forecast is due annually. In either case, the forecast submission is due three business days prior to the month the disbursements are expected to occur. DFAS-Denver Center will make anniversary payments to beneficiaries.

4. Accounting shall be performed at the budget activity level, at a minimum. Lower level accounts shall be established as necessary to meet reporting requirements.

D. Ensure that the following VSI and SSB reporting requirements are met:

1. Appropriation Status by Fiscal Year Program and Subaccounts, Acct Rpt(M)1002. The DFAS shall report in accordance with instructions contained in Chapter 4, Volume 6 of this Regulation. The DFAS ATTN: DFAS-HQ/AE shall submit this report for the trust fund expenditure account using Budget Activity 1 for Officers and Budget Activity 2 for Enlisted Personnel, as currently required for DoD Military Personnel Appropriations. Each DFAS Center shall submit feeder reports in accordance with the schedule of due dates published by the DFAS ATTN: DFAS-HQ/AE. All applicable columns of the report must be completed, including disbursements for each budget subactivity.

a. Special Separation Benefit Program. Obligations are to be reported by fiscal program year since the inception of this program and are to be reported within Acct Rpt(M)1002 report, "Appropriation Status by Fiscal Year Program Subaccount," by budget category as a separate line. Two separate cost categories shall be used as shown below:

- SSB - Officers
 - Cost of Personnel

- SSB - Enlisted
 - Cost of Personnel

b. Voluntary Separation Incentive Program. Military personnel separated under this program prior to and after January 1, 1993, are to be reported separately under account 97X8335 in the Acct Rpt(M)1002 report, "Appropriation Status by Fiscal Year Program Subaccounts" by budget category. Two separate cost categories shall be used as shown below:

- Voluntary Separation Incentive - Officers
 - Cost of Personnel
- Voluntary Separation Incentive - Enlisted
 - Cost of Personnel

2. Report on Budget Execution, Acct Rpt(M)SF 133. The DFAS shall submit Acct Rpt(M)SF 133 for the Fund's receipt and expenditure accounts. Each DFAS Center shall submit feeder reports on its disbursements by limits established for each Service and for initial or anniversary payment.

3. Other Reports. The DFAS shall follow the current instructions contained in Volume 6 of this Regulation, as applicable, for other reporting requirements.

VOLUNTARY SEPARATION INCENTIVE PROGRAM RECAP OF DFAS RESPONSIBILITIES		
EVENT	DFAS CENTERS	DFAS-CL- DAO-WASH
Military Pay Appropriation authorized to finance the annual payment to the VSI Trust Fund.	Record receipt of the MPA fund authorization.	
Make annual Service payment determined by the DoD Board of Actuaries to liquidate the unfunded liabilities. Payment financed by the Services' Military Pay Appropriation are due each January beginning in FY1993 and are deposited into the VSI Trust Fund.	<p>Prepare the annual payment charging the MPA accounting and crediting 97X8335.1.*</p> <p>Forward the SF 1081 to the disbursing office for processing.</p> <p>Simultaneously record MPA obligations and disbursements for the amount of the annual payment.</p> <p>Forward a copy of the SF 1081 annual payment voucher to DFAS ATTN: DFAS-HQ/AE.</p>	
Receive annual Service payments.		Record the VSI Trust Fund receipts.
Issue/receive VSI Trust Fund authorization documents.	Accept, process and record the VSI Trust Fund allocation received.**	Issue VSI Trust Fund authorization document.

Reverse Military Pay Appropriation disbursements made for initial VSI Trust Fund account. Reverse disbursements are processed in the same month in which the summary recap is produced in the military payroll system.	<p>Prepare SF 1081 charging 91X8335, limit for initial payment, and budget activity code 1 for Officers or budget activity code 2 for Enlisted Personnel.</p> <p>Forward the SF 1081 to the disbursing office for processing.</p> <p>Provide DFAS ATTN: DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disbursements were processed.</p> <p>Enter processed SF 1081 voucher in the MPA and VSI Trust Fund accounting records.</p>	
Forecast VSI Trust Fund cash requirements. (DFAS-CL is responsible for forecasting anniversary payments.)	<p>Submit monthly or yearly to DFAS ATTN: DFAS-HQ/AE a forecast of anniversary payments by month.</p> <p>Submit a revised forecast on an as required basis.</p>	
Purchase/redemption of securities.		Enter investment transactions in the VSI Trust Fund accounting records.

<p>Process VSI anniversary payments. (DFAS-CL has responsibility for anniversary payments.)</p>	<p>Prepare voucher for anniversary payments charging 97X8335, limit for anniversary payments, and the application budget activity code.</p> <p>Forward payment voucher to the disbursing office for processing.</p> <p>Provide DFAS ATTN: DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disbursements were processed.</p> <p>Enter processed vouchers in the VSI Trust Fund accounting records.</p>	
<p>Process VSI payments to beneficiaries. (DFAS-DE has responsibility for beneficiary payments.)</p>	<p>Prepare voucher for beneficiary payment charging 97X8335, limit for the anniversary payment, and the applicable budget activity code.</p> <p>Forward payment voucher to the disbursing office for processing.</p> <p>Provide DFAS ATTN: DFAS-HQ/AE a copy of the SF 1081 on or before the 5th business day of the month following the month the trust fund disbursements were processed.</p> <p>Enter processed vouchers in the VSI Trust Fund accounting records.</p>	

Year end processing.	Transfer all VSI initial payments charged to Military Pay appropriations to the VSI Trust Fund prior to the end of the fiscal year.	
Prepare monthly reports.	Submit Acct Rpt (M) 1176 and DD-Comp (M) 1002 feeder reports for the VSI Trust Fund to DFAS ATTN: DFAS-HQ/AE. Report level for 1176 data is appropriation and for 1002, appropriation/limit/budget activity. Submit Statement of Transactions (DD Form 1329) to Treasury.	Receive feeder reports, record monthly execution in the departmental accounting record, and prepare the departmental reports for the VSI Trust Fund.

Footnotes:

1. Services may prepare annual payment.
2. Services may accept fund authorization.

Table 17-1